

May 2002

FINANCIAL AUDIT

Congressional Award Foundation's Fiscal Years 2001 and 2000 Financial Statements



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Abstract We have audited the statements of financial position of the Congressional Award Foundation (the Foundation) as of September 30, 2001, and 2000, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; the Foundation had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and no reportable noncompliance with the provisions of laws and regulations we tested. The following sections provide additional		
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Contents

Letter	1
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Auditor’s Report	3
Opinion on Financial Statements	3
Opinion on Internal Control	3
Compliance With Laws and Regulations	4
Objectives, Scope, and Methodology	4
Foundation’s Comments	6

Financial Statements	8
Statements of Financial Position	8
Statements of Activities	9
Statements of Cash Flows	10
Notes to Financial Statements	11



United States General Accounting Office
Washington, D.C. 20548

May 15, 2002

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Congressional Award Foundation for the fiscal years ended September 30, 2001, and 2000. These financial statements are the responsibility of the Congressional Award Foundation. This report also presents (1) our opinion on the effectiveness of the Foundation's related internal control as of September 30, 2001, and (2) our conclusion on the Foundation's compliance in fiscal year 2001 with selected provisions of laws and regulations we tested. We conducted our audit pursuant to section 8 of the Congressional Award Act, as amended (2 U.S.C. 807), and in accordance with U.S. generally accepted government auditing standards.

We are sending copies of this report to Senator Joseph I. Lieberman, Chairman, and Senator Fred Thompson, Ranking Minority Member, Senate Committee on Governmental Affairs; Representative Dan Burton, Chairman, and Representative Henry A. Waxman, Ranking Minority Member, House Committee on Government Reform; Representative John Boehner, Chairman, and Representative George Miller, Ranking Minority Member, House Committee on Education and the Workforce; Thomas D. Campbell, Chairman, National Board of Directors, Congressional Award Program; William E. Kelley, National Director, Congressional Award Foundation; and other interested parties.

If you or your staff have any questions concerning this report, please contact me at (202) 512-9406 or Julie T. Phillips, Assistant Director, at (202) 512-5121. You can also reach us by e-mail at franzelj@gao.gov or phillipsj@gao.gov. Key contributors to this report were Greg Ziombra and Doug Delacruz.

Jeanette M. Franzel
Acting Director
Financial Management and Assurance



United States General Accounting Office
Washington, D.C. 20548

To the President of the Senate and the
Speaker of the House of Representatives

We have audited the statements of financial position of the Congressional Award Foundation (the Foundation) as of September 30, 2001, and 2000, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- the Foundation had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and
- no reportable noncompliance with the provisions of laws and regulations we tested.

The following sections provide additional detail about our conclusions and the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Foundation's financial position as of September 30, 2001, and 2000, and the results of its activities and its cash flows for the fiscal years then ended.

Opinion on Internal Control

The Foundation maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2001, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established in our *Standards for Internal Control in the Federal Government*.¹ We found matters involving internal control that we do not consider to be reportable conditions.² We will

¹*Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999).

communicate these matters separately to the Foundation's management, along with our suggestions for improvement.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

The Foundation's management is responsible for

- preparing the annual financial statements in conformity with U.S. generally accepted accounting principles;
- establishing, maintaining, and assessing the Foundation's internal control to provide reasonable assurance that the Foundation's control objectives are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and (2) management maintained effective related internal control, the objectives of which are the following:

- financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of financial statements, in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and

² Reportable conditions are matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect an organization's ability to meet the objectives of reliable financial reporting and compliance with applicable laws and regulations.

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- compliance with laws and regulations – transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by the Foundation's management;
- evaluated the overall presentation of the financial statements and notes;
- obtained an understanding of the Foundation's internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations;
- tested relevant internal control over financial reporting (including safeguarding of assets) and compliance and evaluated the design and operating effectiveness of internal control; and
- tested compliance with selected provisions of the Congressional Award Act, as amended.

We did not evaluate internal controls relevant to operating objectives, such as controls relevant to ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting the results of our tests of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

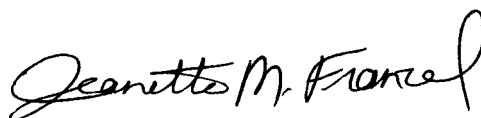
We did not test compliance with all laws and regulations applicable to the Foundation. We limited our tests of compliance to those provisions of laws and regulations that we deemed to have a direct and material effect on the

financial statements for the fiscal year ended September 30, 2001. We caution that noncompliance may occur and not be detected by our tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards.

Foundation's Comments

We provided a draft of our report to Congressional Award Foundation officials for their review and comment. Foundation officials agreed with the contents of our report.



Jeanette M. Franzel
Acting Director
Financial Management and Assurance

April 12, 2002

(194084)

Financial Statements

Statements of Financial Position

The Congressional Award Foundation
Statements of Financial Position
As of September 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets		
Cash and cash equivalents (note 3)	(\$7,629)	\$288,177
Contributions receivable, net (note 4)	205,000	-
Prepaid expense	4,441	4,392
Congressional Award Fellowship Trust (note 5)	356,934	662,864
Equipment, furniture, and fixtures, net (note 2)	65,245	69,509
Escrowed funds from councils, net	-	5,145
Other assets	<u>-</u>	<u>170</u>
Total assets	<u>\$623,991</u>	<u>\$1,030,257</u>
Liabilities and net assets		
Accounts payable	39,068	-
Accrued payroll, related taxes, and leave	31,721	25,176
Obligation under capital lease	6,364	9,136
Escrowed funds due councils, net	<u>-</u>	<u>5,145</u>
Total liabilities	77,153	39,457
Net assets		
Unrestricted	30,047	650,121
Temporarily restricted	252,334	76,222
Permanently restricted	<u>264,457</u>	<u>264,457</u>
Total net assets	<u>546,838</u>	<u>990,800</u>
Total liabilities and net assets	<u>\$623,991</u>	<u>\$1,030,257</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

The Congressional Award Foundation
Statements of Activities
For the Fiscal Years Ended September 30, 2001, and 2000

	<u>2001</u>	<u>2000</u>
Changes in unrestricted net assets:		
Operating revenue and other support		
Contributions	\$519,041	\$834,828
Contributions - In-kind (note 6)	74,642	82,794
Program and other revenues	53,464	43,381
Interest and dividends applied to current operations	7,778	17,678
Net assets released from restrictions (note 7)	<u>125,939</u>	<u>33,714</u>
Total operating revenue and other support	780,864	1,012,395
Operating expenses (note 12)		
Salaries, benefits, and payroll taxes	482,485	446,512
Program, promotion, and travel	163,525	152,515
Fund-raising expense	131,761	147,428
Gold Award ceremony	34,541	41,706
Professional fees	181,087	127,139
Depreciation	18,601	15,049
Board of Directors expense	12,136	11,467
Administrative and other expense	70,611	45,695
Bad debt expense	-	<u>2,052</u>
Total operating expenses	1,094,747	989,563
Other changes		
Investment earnings (losses) not applied to current operations	(306,190)	135,547
Increase (decrease) in unrestricted net assets	(620,073)	158,379
Changes in temporarily restricted net assets:		
Contributions (note 8)	302,050	5,000
Net assets released from restrictions (note 7)	<u>(125,939)</u>	<u>(33,714)</u>
Increase (decrease) in temporarily restricted net assets	176,111	(28,714)
Changes in permanently restricted net assets:		
Contributions	<u>-</u>	<u>350</u>
Increase in permanently restricted net assets	0	350
Increase (decrease) in net assets	(443,962)	130,015
Net assets at beginning of year	<u>990,800</u>	<u>860,785</u>
Net assets at end of year	<u>\$546,838</u>	<u>\$990,800</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Cash Flows

The Congressional Award Foundation Statements of Cash Flows For the Fiscal Years Ended September 30, 2001, and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Contributions received	\$616,091	\$917,629
Cash received from councils and independents	53,464	45,804
Interest and dividends received	7,778	17,678
Cash paid to employees	(373,359)	(326,674)
Cash paid to vendors	(582,411)	(600,069)
Net cash (used)/provided from operating activities	(278,437)	54,368
Cash flows from investing activities:		
Purchase of equipment	(14,337)	(6,090)
Proceeds from sales of assets	(260)	-
Purchases of investments	-	(500,661)
Proceeds from sale of investments	-	399,525
Net cash (used)/provided in investing activities	(14,597)	(107,226)
Cash flows from financing activities:		
Payments on capital lease	(2,772)	(2,749)
Net cash used in financing activities	(2,772)	(2,749)
Net increase (decrease) in cash	(295,806)	(55,607)
Cash at beginning of the year	288,177	343,784
Cash at end of year	<u>(\$7,629)</u>	<u>\$288,177</u>
Reconciliation of change in net assets to net cash (used)/provided from operating activities		
Change in net assets	(\$443,962)	\$130,015
Adjustments to reconcile change in net assets to net cash used/provided from operating activities:		
Investment (earnings) losses not applied to operations	306,190	(135,547)
Depreciation expense	18,601	15,049
Bad debt expense	-	2,052
Restricted trust fund contributions	-	(350)
Decrease (increase) in contributions receivable	(205,000)	77,800
Decrease (increase) in other accounts receivable	-	2,423
Decrease (increase) in prepaid expense	(49)	(43)
Decrease (increase) in other assets	170	(170)
Increase (decrease) in accounts payable	39,068	(47,558)
Increase (decrease) in accrued payroll, related taxes and leave	6,545	10,697
Net cash (used)/provided from operating activities	<u>(\$278,437)</u>	<u>\$54,368</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

THE CONGRESSIONAL AWARD FOUNDATION

**Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**

Note 1. Organization

The Congressional Award Foundation (the Foundation) was formed in 1979 under Public Law 96-114 and is a private, nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service code established to promote initiative, achievement, and excellence among youth in the areas of public service, personal development, physical fitness, and expedition. New program participants totaled 2,390 in fiscal year 2001, an increase of 12 percent over fiscal year 2000. As of September 30, 2001, there were approximately 8,000 active participants in the program. In October 1999, the president signed Public Law 106-63, Section 1(d) of which reauthorized the Congressional Award Foundation through September 30, 2004.

Note 2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles applicable to not-for-profit organizations.

B. Cash Equivalents

The Foundation considers funds held in savings accounts and all highly liquid investments with an original maturity of 3 months or less to be cash equivalents. Money market funds held in the Foundation's Congressional Award Fellowship Trust (the Trust) are not considered cash equivalents.

C. Equipment, Furniture and Fixtures, and Related Depreciation

Equipment, furniture, and fixtures are stated at cost. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of 5 to 7 years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the lease. Expenditures for major additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense, as appropriate.

D. Investments

Investments are carried at fair value and consist of investments in money market funds and equity and debt securities, held for long-term purposes.

THE CONGRESSIONAL AWARD FOUNDATION

**Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**

Note 2. Summary of Significant Accounting Policies (continued)

E. Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for the general support of the Foundation.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or future periods.
- Permanently restricted net assets result from donor-imposed restrictions stipulating that the resources donated be maintained permanently. The Foundation's permanently restricted net assets consist of contributions designated for deposit into the Foundation's Congressional Award Fellowship Trust Fund (see note 5).

F. Revenue Recognition

Contribution revenue is recognized when received or promised and recorded as temporarily restricted if the funds are received with donor or grantor stipulations that limit the use of the donated assets to a particular purpose or for specific periods. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as described in note 12. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

During the year ended September 30, 2001, the Foundation adopted the provisions of Statement of Position 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fund Raising," and allocated joint costs related to the annual gala between program and fundraising activities. In 2000 the Foundation did not allocate joint costs associated with the annual gala because the amounts were not considered significant.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results

THE CONGRESSIONAL AWARD FOUNDATION

Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000

could differ from those estimates.

Note 3. Cash

The Foundation has received contributions restricted by donors for specific purposes or to be held in escrow. Accordingly, a portion of the cash held by the Foundation is restricted. At September 30, 2001, and 2000 the amount of cash restricted for specific purposes by donors or held in escrow and the amount of cash available for unrestricted purposes was as follows:

	<u>2001</u>	<u>2000</u>
Temporarily restricted	\$ 52,334	\$ 76,222
Cash held in escrow	0	(5,145)
Unrestricted	<u>(59,963)</u>	<u>217,100</u>
Total cash	<u>\$ (7,629)</u>	<u>\$ 288,177</u>

As shown above, the Foundation's Statement of Financial Position had a negative cash balance of (\$7,629) at September 30, 2001. The balance on the Foundation's bank statement, however, was positive on that date. The difference at September 30, 2001 resulted from a timing difference between the Foundation's records and the bank's records.

Note 4. Contributions Receivable

At September 30, 2001, promises to give totaled \$205,000, of which the donors temporarily restricted \$200,000. Within 1 year, \$105,000 is due and the remaining \$100,000 is due within 2 years. All amounts are considered fully collectible. The promise to give was a result of the new "Charter for Youth" fundraising initiative. Charter for Youth benefactors are requested to contribute a minimum of \$100,000 per year for 3 consecutive years for the direct support of The Congressional Award and its initiatives for participant recruitment and awardee recognition. Charter for Youth members have the opportunity to participate in Congressional Award events, and receive recognition as benefactors at the international, national, and regional events and meetings.

Note 5. Congressional Award Fellowship Trust

Established in 1990, the Congressional Award Fellowship Trust (the Trust Fund) was created to benefit the charitable and educational purposes of the Foundation. The Foundation receives contributions intended for the Trust Fund from supporters of the Congressional Award Program, including members of the World Fellowship--an organization established to promote similar programs throughout the world.

THE CONGRESSIONAL AWARD FOUNDATION

**Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**

Note 5. Congressional Award Fellowship Trust (continued)

Deposits to the Trust Fund are invested in money market funds, and equity and debt securities. Investments are carried at fair value and classified, based on their nature, as either permanently restricted or unrestricted. The Foundation's permanently restricted net assets represent the value of all permanently restricted donor contributions received from the Trust Fund's inception in 1990. As of September 30, 2001, and 2000, permanently restricted contributions totaled \$264,457.

In accordance with the terms of the Trust Declaration (agreement), the Foundation is permitted to use all Trust Fund income for the benefit of the charitable and educational purposes of the Foundation. Trust Fund income represents the value of the Trust Fund's assets (including interest and dividends earned and realized and unrealized gains and losses on Trust Fund investments) in excess of the aggregate amount received as endowment donations. The agreement describes endowment donations as the aggregate fair market value (as of the contribution date) of all donations to the Trust Fund. As defined by the agreement, this represents the amount of the Trust Fund's assets that the Foundation cannot use or distribute.

As a matter of policy, the Foundation's Board further limits the use of Trust Fund investments to support current operations to the interest and dividends earned on Trust Fund investments. In the absence of donor-imposed restrictions limiting the availability of realized and unrealized gains on donated assets, all realized and unrealized gains on Trust Fund investments are considered unrestricted assets and reported in the Statements of Activities as investment earnings not applied to current operations. Realized and unrealized gains (losses) on Trust Fund's investments for the fiscal years ended September 30, 2001, and 2000 were \$(306,190) and \$135,547, respectively. Interest and dividends earned on Trust Fund investments for fiscal years ended September 30, 2001, and 2000 were \$4,779 and \$9,879, respectively.

A reconciliation of investment earnings (returns) and contributions received to changes in the restricted and unrestricted portions of Trust Fund investments for fiscal years 2001 and 2000 is as follows.

THE CONGRESSIONAL AWARD FOUNDATION

Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**Note 5. Congressional Award Fellowship Trust (continued)**

Unrestricted trust assets	September 30,	
	2001	2000
Investment earnings, net:		
Dividends and interest	\$ 4,779	\$ 9,879
Realized and unrealized gains (losses)	<u>(306,190)</u>	<u>135,547</u>
Total investment earnings	(301,411)	145,426
Investment earnings applied to current operations	(4,519)	(9,879)
Gifts available for investment	<u>-</u>	<u>99,081</u>
Net change in trust investments	(305,930)	234,628
Unrestricted trust assets at beginning of the year	<u>398,407</u>	<u>163,779</u>
Unrestricted trust assets at end of the year	<u>\$ 92,477</u>	<u>\$ 398,407</u>
Permanently restricted trust assets		
Additions	-	\$ 350
Restricted trust assets at beginning of the year	\$ 264,457	264,107
Restricted trust assets at the end of year	<u>\$ 264,457</u>	<u>\$ 264,457</u>
Total unrestricted and restricted trust fund assets at end of year	<u>\$ 356,934</u>	<u>\$ 662,864</u>

At September 30, 2001, and 2000, the investments in the Trust consisted of the following:

Description	Market value at September 30,	
	2001	2000
Money market funds	\$ 56,010	\$ 4,307
Equity and debt securities	<u>300,924</u>	<u>658,557</u>
Total	<u>\$ 356,934</u>	<u>\$ 662,864</u>

THE CONGRESSIONAL AWARD FOUNDATION

Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000

Note 6. In-kind Contributions

During fiscal years 2001 and 2000, the Foundation received in-kind (noncash) contributions from donors, which are accounted for as contribution revenue and either as current period operating expenses or additions to capital assets. These noncash contributions are as follows.

	<u>2001</u>	<u>2000</u>
Professional services (legal and web hosting)	\$ 37,712	\$ 37,000
Supplies for fund-raising gala	26,300	11,280
Airline Tickets	10,000	-
Promotional support	630	13,506
Other support--Foundation sponsored events	-	21,008
Total in-kind contributions	<u>\$ 74,642</u>	<u>\$ 82,794</u>

In addition, Section 7(c) of Public Law 101-525, the Congressional Award Amendments of 1990, provided that "the Board may benefit from in-kind and indirect resources provided by the Offices of Members of Congress or the Congress." Resources so provided include use of office space, office furniture, and certain utilities. In addition, section 3 of the Congressional Award Act, as amended, provides that the United States Mint may charge the United States Mint Public Enterprise Fund for the cost of striking Congressional Award Medals. The costs of these resources cannot be readily determined and, thus, are not included in the financial statements.

Note 7. Release of Net Assets

Net assets released from donor restrictions result from either incurring expenses that satisfy the donor-imposed restriction or the occurrence of other donor-specified events such as the passage of time. As of September 30, 2001, and 2000, net assets released from restriction were as follows:

	<u>2001</u>	<u>2000</u>
Contributions restricted for use in fiscal year 2001	\$ 100,000	\$ -
Mississippi Council development	15,708	7,540
Nevada Council development	5,067	2,175
D.C. Council development	2,631	870
Oklahoma Council development	2,154	290
South Bronx / New York Project	379	8,990
General fund	-	11,500
Pennsylvania Council development	-	2,349
Total	<u>\$ 125,939</u>	<u>\$ 33,714</u>

THE CONGRESSIONAL AWARD FOUNDATION

Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000

Note 8. Temporarily Restricted Contributions

During fiscal years 2001 and 2000, the following temporarily restricted contributions were received:

	<u>2001</u>	<u>2000</u>
Contributions restricted for use in fiscal years 2001, 2002, and 2003	\$ 300,000	\$ -
D.C. Council development	2,050	-
South Bronx/ New York Project	<u>-</u>	<u>5,000</u>
Total	<u>\$ 302,050</u>	<u>\$ 5,000</u>

Note 9. Employee Retirement Plan

For the benefit of its employees, the Foundation participates in a voluntary 403B tax-deferred annuity plan, which was activated on August 27, 1993. Under the plan, the Foundation may, but is not required to, make employer contributions to the plan. For 2001 and 2000, the Board voted to make matching contributions to qualified employees of up to 6 percent, which amounted to \$8,610 and \$7,156 in 2001 and 2000, respectively.

Note 10. Related Party Activities

During fiscal year 2001, an ex-officio director of the board provided pro bono legal services to the Foundation. The value of legal services has been included in the in-kind contributions and professional fees line items (see note 6).

In addition, a director of the board served as portfolio manager with the brokerage firm responsible for managing the Congressional Award Fellowship Trust account during fiscal years 2001 and 2000. An investment committee of the Board establishes investment guidelines and monitors the portfolio's performance.

Note 11. Concentration of Credit Risk

At September 30, 2001, and 2000, the Foundation maintained its cash balance at a single financial institution. At September 30, 2000, the Foundation's bank balance exceeded the Federal Deposit Insurance Corporation's insured amount of \$100,000 by \$218,931. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE CONGRESSIONAL AWARD FOUNDATION

**Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**

Note 12. Expenses by Functional Classification

As permitted by SFAS No. 117, the Foundation has presented its operating expenses by natural classification in the accompanying Statements of Activities for the fiscal years ending September 30, 2001, and 2000.

Presented below are the Foundation's expenses by functional classification for the fiscal years ended September 30, 2001, and 2000.

Fiscal Years 2001 and 2000 Expenses
by Functional Classification

	<u>2001 Amount</u>	<u>Restated 2000 Amount</u>
Program activities	\$ 619,178	\$517,434
Fund-raising activities	278,392	321,595
Administrative activities	<u>197,176</u>	<u>150,534</u>
Total	<u>\$ 1,094,746</u>	<u>\$989,563</u>

For the year ended September 30, 2001, the Foundation incurred joint costs of \$64,100 related to the annual gala, of which \$32,050 and \$32,050 were allocated to program and fundraising, respectively.

For comparative purposes the Foundation has restated its previously reported program and fundraising expenses for the year ended September 30, 2000, to reflect the allocation of joint costs related to the 2000 annual gala totaling \$52,200, of which \$26,100 and \$26,100 were allocated to program and fundraising expenses, respectively.

In addition, total direct benefits provided to donors at the annual gala of \$29,945 and \$27,500 are included in program expense for the years ended September 30, 2001, and 2000, respectively.

THE CONGRESSIONAL AWARD FOUNDATION

**Notes to Financial Statements
For the Fiscal Years Ended September 30, 2001, and 2000**

Note 13. Subsequent Events

At the beginning of fiscal year 2002, the board of directors authorized the distribution of \$130,000 from the Trust Fund to the Foundation to be used for operating expenses. The board designated that this distribution be treated as a loan, with the intent to pay back the distribution to the Trust Fund. After the distribution, the balance in the Trust Fund was \$282,000, which included the permanently restricted fund amount of \$264,000. As of March 28, 2002, the balance in the Trust Fund dropped to \$251,000 due to adverse market conditions. Therefore, the balance as of March 28, 2002, was below the permanently restricted level of \$264,000. However, at the time the distributions were made, they were made from Trust Fund income as defined by the Trust agreement and did not use permanently restricted amounts.

In January 2002 the Foundation received the second payment of \$100,000 from the initial Charter for Youth member and secured another Charter for Youth member in December 2001. In addition, the Foundation received an additional \$100,000 from an individual donor in April 2002.

GAO's Mission

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